

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Grand Haven Charter Township</b>	County <b>Ottawa</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>5/18/05</b>	Date Accountant Report Submitted to State: <b>6/15/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

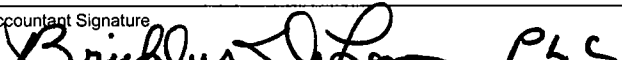
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Brickley DeLong, PLC</b>			
Street Address <b>500 Terrace Plaza, P.O. Box 999</b>		City <b>Muskegon</b>	State <b>MI</b>
		ZIP <b>49443-0999</b>	
Accountant Signature 		Date <b>6/15/06</b>	

Grand Haven Charter Township  
Ottawa County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended December 31, 2005

Grand Haven Charter Township

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# Grand Haven Charter Township

## Management's Discussion and Analysis

As management of Grand Haven Charter Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### FINANCIAL HIGHLIGHTS

- At the close of the fiscal year Grand Haven Charter Township had total assets of \$28,806,570 and total liabilities of \$14,317,815 leaving net assets of \$14,488,754, an increase of 1.9% in the Township's overall net assets.
- Total revenues, including all program and general revenues, were \$6,544,432, made up of governmental revenues of \$3,760,195 and business-type revenues of \$2,784,237. Revenues for the Township's Downtown Development Authority (DDA) were \$360,849 compared with \$231,465 in the prior year.
- Total expenses for all of the Township's programs were \$6,267,638. Of that total, the governmental expenses were \$3,588,642 and the business-type expenses were \$2,678,996. Expenses for the Township's DDA were \$90,065 primarily for engineering related to construction of storm sewers, drain enclosures and street intersection improvements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

# Grand Haven Charter Township

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## Management's Discussion and Analysis

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include water distribution and sewer services.

The government-wide financial statements include not only Grand Haven Charter Township (the primary government) but also the legally separate Downtown Development Authority. The board of this organization is appointed by the Township and the Township is financially accountable for it. The financial information of this component unit is reported in a separate column from the financial information of the primary government.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Grand Haven Charter Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

# Grand Haven Charter Township

## Management's Discussion and Analysis

**Proprietary Funds.** The Township has enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Water and Sewer funds, both of which are major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Fire Fund.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of December 31, 2005, the Township's net assets from governmental activities totaled \$4,669,654 (32%) and \$9,819,100 (68%) from business-type activities, creating a total government-wide net assets total of \$14,488,754.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$1,968,472. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

# Grand Haven Charter Township

## Management's Discussion and Analysis

The business-type activities show a total of \$9,819,100 in net assets and \$3,371,711 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$2,035,557 and \$1,336,154, respectively.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets and other assets	\$ 5,062,999	\$ 4,904,227	\$ 2,869,900	\$ 2,780,815	\$ 7,932,899	\$ 7,685,042
Capital assets	6,166,248	6,441,952	14,707,422	15,128,805	20,873,670	21,570,757
Total assets	11,229,247	11,346,179	17,577,322	17,909,620	28,806,569	29,255,799
Current liabilities	2,905,897	2,797,842	737,320	879,968	3,643,217	3,677,810
Noncurrent liabilities	3,653,696	4,050,236	7,020,902	7,315,793	10,674,598	11,366,029
Total liabilities	6,559,593	6,848,078	7,758,222	8,195,761	14,317,815	15,043,839
Net assets						
Invested in capital assets, net of related debt	2,138,555	2,013,868	5,397,973	5,460,858	7,536,528	7,474,726
Restricted	562,627	537,657	1,049,416	1,140,557	1,612,043	1,678,214
Unrestricted	1,968,472	1,946,576	3,371,711	3,112,444	5,340,183	5,059,020
Total net assets	\$ 4,669,654	\$ 4,498,101	\$ 9,819,100	\$ 9,713,859	\$ 14,488,754	\$ 14,211,960

The table above shows a decline in capital assets from 2004 to 2005 for both governmental and business-type activities was caused primarily by ordinary depreciation. The decline in long-term debt was the result of scheduled debt repayments.

### Governmental Activities

Governmental activities increased by \$171,553 (3.8%) during the 2005 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

The Township experienced a 7.8% increase in property tax revenue, due primarily to new construction in the Township. Investment earnings also increased due to higher interest rates. These increases outpaced the reduction in charges for services (building related permits) and capital grants and contributions. In addition to the 2.7% overall increase in revenue, governmental activities experienced stability in the expense area with a \$57,064 (1.6%) decrease in expenditures.

### Business-type Activities

At the end of the fiscal year, the net assets for business-type activities increased \$105,241 or 1.1%. Two funds comprise the business-type activities. The Water Fund experienced a decrease in net assets for the year totaling \$205,642. This was offset by a net increase in the Sewer Fund of \$310,883.

# Grand Haven Charter Township

## Management's Discussion and Analysis

The table on business-type activities shows a substantial increase in total revenues of \$408,465 (16.6%) due primarily to increased customer base as well as greater usage of utilities. Investment earnings exceeded the prior year by \$45,094 or 50% due to the increased rate of return. Also, total expenses for business-type activities were held to a small 1.2% (\$30,883) increase over last year.

### Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 588,907	\$ 636,288	\$ 2,527,865	\$ 2,181,355	\$ 3,116,772	\$ 2,817,643
Operating grants and contributions	17,350	17,793	-	-	17,350	17,793
Capital grants and contributions	15,531	48,618	-	-	15,531	48,618
General revenues						
Property taxes	1,855,942	1,721,810	209,907	196,901	2,065,849	1,918,711
Grants and contributions not restricted	920,752	927,754	3,855	-	924,607	927,754
Unrestricted investment earnings	111,148	64,279	133,765	88,671	244,913	152,950
Miscellaneous	159,410	144,286	-	-	159,410	144,286
Gain on sale of capital assets	-	12,563	-	-	-	12,563
<b>Total revenues</b>	<b>3,669,040</b>	<b>3,573,391</b>	<b>2,875,392</b>	<b>2,466,927</b>	<b>6,544,432</b>	<b>6,040,318</b>
<b>Expenses:</b>						
General government	1,175,620	1,175,535	-	-	1,175,620	1,175,535
Public safety	1,040,342	998,634	-	-	1,040,342	998,634
Public works	281,764	354,608	-	-	281,764	354,608
Community and economic development	367,982	390,315	-	-	367,982	390,315
Culture and recreation	521,925	507,212	-	-	521,925	507,212
Interest on long term debt	201,009	219,402	-	-	201,009	219,402
Sewer Fund	-	-	438,357	434,805	438,357	434,805
Water Fund	-	-	2,240,639	2,213,308	2,240,639	2,213,308
<b>Total expenses</b>	<b>3,588,642</b>	<b>3,645,706</b>	<b>2,678,996</b>	<b>2,648,113</b>	<b>6,267,638</b>	<b>6,293,819</b>
Change in net assets before transfers	80,398	(72,315)	196,396	(181,186)	276,794	(253,501)
Transfers	91,155	90,856	(91,155)	(90,856)	-	-
<b>Increase in net assets</b>	<b>171,553</b>	<b>18,541</b>	<b>105,241</b>	<b>(272,042)</b>	<b>276,794</b>	<b>(253,501)</b>
Net assets - Beginning	4,498,101	4,479,560	9,713,859	9,985,901	14,211,960	14,465,461
<b>Net assets - Ending</b>	<b>\$ 4,669,654</b>	<b>\$ 4,498,101</b>	<b>\$ 9,819,100</b>	<b>\$ 9,713,859</b>	<b>\$ 14,488,754</b>	<b>\$ 14,211,960</b>



# Grand Haven Charter Township

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the governmental funds reported a combined fund balance of \$2,652,699. This number represents the fund balance of \$2,038,186 in the General Fund, \$297,609 in the Fire Fund and \$316,904 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$48,047 and pay debt service of \$316,418.

The General Fund is the chief operating fund of the Township. At the end of 2005, the unreserved General Fund fund balance was \$2,010,176 and the total General Fund fund balance was \$2,038,186. Of the unreserved fund balance, the Township Board has designated \$614,144 for future infrastructure improvements. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 85% of the General Fund expenditures.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund increased by \$310,883, while the Water Fund decreased by \$205,642. The result was an overall net increase in the proprietary funds of \$105,241.

### General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- The budget for property taxes was increased to \$756,320 from \$728,875 due primarily to greater than anticipated delinquent personal property tax collections (\$6,000), additional administrative fees (\$13,300) and additional interest/penalties (\$6,350).
- The budget for licenses and permits was decreased to \$251,155 from \$308,700 due to a minor delay in application for permits by Walmart.

# Grand Haven Charter Township

## Management's Discussion and Analysis

- The budget for intergovernmental revenues – state was decreased to \$920,750 from \$947,300 due to continued cutbacks at the state level.
- The budget for investment earnings was increased to \$94,295 from \$28,120 due to the rapid “turnaround” of the Township’s average rate earned on investments.
- The budget for law enforcement was decreased to \$174,375 from \$205,635 due primarily to staffing changes.
- The budget for bike paths was decreased to \$38,949 from \$74,889 due to lower than anticipated staffing needs.
- The budget for capital outlay was increased to \$174,951 from \$136,531 due primarily to the purchase of land for a street intersection re-alignment

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Budgeted General Fund revenues ended the year \$6,744 below budget. Most of the difference came from investment earnings which were \$9,032 below budget as the result of a conversion from cost to market for Township investments.
- Budgeted General Fund expenditures ended the year \$2,177 under budget. Most of the difference came from capital outlay which was \$15,899 over budget as a result of greater than anticipated bike path paving (repairs). This was offset by several other departments being slightly under budget.

### Capital Assets Administration

The Township’s investment in capital assets for its governmental and business-type activities as of December 31, 2005 totaled \$17,984,431 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Township purchased a parcel of land for \$86,055.
- The Township repaved sections of the bike path for \$65,235.
- Parking lot improvements were made at Hofma Park for \$5,365.
- The fire department purchased a thermal imager for \$9,995.
- The Township purchased a leaf shredder for \$11,900.
- The Township purchased two trucks for \$45,863.
- The watermain at Mercury Drive was relocated for \$50,678.

# Grand Haven Charter Township

## Management's Discussion and Analysis

### Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 745,655	\$ 659,600	\$ 47,399	\$ 47,399	\$ 793,054	\$ 706,999
Land improvements	1,209,990	1,358,872	-	-	1,209,990	1,358,872
Buildings and improvements	3,448,445	3,553,680	-	-	3,448,445	3,553,680
Utility systems	-	-	11,738,895	12,132,856	11,738,895	12,132,856
Furniture, machinery and equipment	179,397	190,939	49,082	45,090	228,479	236,029
Vehicles	285,068	335,777	-	-	285,068	335,777
Shared improvements	280,500	306,000	-	-	280,500	306,000
Total	<u>\$ 6,149,055</u>	<u>\$ 6,404,868</u>	<u>\$ 11,835,376</u>	<u>\$ 12,225,345</u>	<u>\$ 17,984,431</u>	<u>\$ 18,630,213</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

### Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$11,539,795 consisting of general obligations bonds, revenue bonds and accumulated compensated absences. The general obligation debt of \$4,010,500 in governmental funds is backed by the full-faith and credit of the Township. Approximately \$7,441,902 or (64%) of the Township's outstanding debt represented in table below is recorded as revenue bonds. The payment of this debt service is anticipated through the revenues generated from the water and sewer services in the enterprise funds.

### Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligations bonds	\$ 4,010,500	\$ 4,391,000	\$ -	\$ -	\$ 4,010,500	\$ 4,391,000
Revenue bonds	-	-	7,441,902	7,833,793	7,441,902	7,833,793
Compensated absences	87,393	79,472	-	-	87,393	79,472
Total	<u>\$ 4,097,893</u>	<u>\$ 4,470,472</u>	<u>\$ 7,441,902</u>	<u>\$ 7,833,793</u>	<u>\$ 11,539,795</u>	<u>\$ 12,304,265</u>

# **Grand Haven Charter Township**

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## **Management's Discussion and Analysis**

The Township's total debt decreased by \$764,470 during the fiscal year. This reduction was due to normal debt payoffs as provided for in the fiscal year 2005 budget. The Township also advance refunded portions of four bonds in the Water and Sewer funds. The refinancing did not change the total amount of debt in the funds, but it will reduce future interest payments.

Additional information on the Township's long-term debt can be found in Note I of the "Notes to the Financial Statements" of this report.

### **General Economic Overview**

The Township's General Fund has two major revenue sources - state revenue sharing and property tax revenue. Those two sources comprised over 66% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to remain at the 2005 level. Property tax revenues are expected to increase by 5%.

Township board and staff remain optimistic that the Township's economic stability will be further enhanced by a Township-wide public safety SAD for police services (Ottawa County Sheriff's department), modification to the township's street paving and SAD policy to eliminate or significantly reduce any township funding for the paving of a specific development and the construction of Walmart plus numerous residential subdivisions.

The Township's business business-type activities may see a staff recommended increase in trunkage fees to pay for a portion of the water plant expansion.

### **Requests for Information**

This financial report is designed to provide a general overview of Grand Haven Charter Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Grand Haven Charter Township, 13300 168<sup>th</sup> Avenue, Grand Haven, Michigan, 49417, (616) 842-5988.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

May 18, 2006

Township Board  
Grand Haven Charter Township  
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand Haven Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - ix and 30 - 31 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Haven Charter Township, Michigan's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Grand Haven Charter Township  
STATEMENT OF NET ASSETS  
December 31, 2005

ASSETS

	Governmental activities	Business-type activities	Total	Component Unit Downtown Development Authority
CURRENT ASSETS				
Cash and investments	\$ 3,733,678	\$ 2,352,008	\$ 6,085,686	\$ 919,998
Receivables	1,089,014	548,280	1,637,294	311,445
Due from other governmental units	150,622	-	150,622	-
Internal balances	41,639	(41,639)	-	-
Due from primary government	-	-	-	48,933
Prepaid items	48,046	11,251	59,297	-
Total current assets	5,062,999	2,869,900	7,932,899	1,280,376
NONCURRENT ASSETS				
Restricted assets	-	1,049,416	1,049,416	-
Capital assets, net				
Nondepreciable	745,655	47,399	793,054	-
Depreciable	5,403,400	11,787,977	17,191,377	-
Access rights, net	-	1,004,499	1,004,499	-
Bond issue costs, net	-	126,459	126,459	-
Special assessments receivable	17,193	616,860	634,053	-
Contracts receivable	-	74,812	74,812	-
Total noncurrent assets	6,166,248	14,707,422	20,873,670	-
Total assets	11,229,247	17,577,322	28,806,569	1,280,376

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	188,391	48,147	236,538	28,273
Due to other governmental units	16,862	66,619	83,481	-
Due to component unit	48,933	-	48,933	-
Deferred revenue	2,207,514	201,554	2,409,068	356,947
Bonds and other obligations, due within one year	444,197	421,000	865,197	-
Total current liabilities	2,905,897	737,320	3,643,217	385,220
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	3,653,696	7,020,902	10,674,598	-
Total liabilities	6,559,593	7,758,222	14,317,815	385,220
NET ASSETS				
Invested in capital assets, net of related debt	2,138,555	5,397,973	7,536,528	-
Restricted for:				
Debt service	265,018	290,120	555,138	-
Capital projects	-	759,296	759,296	-
Fire department operations	297,609	-	297,609	-
Unrestricted	1,968,472	3,371,711	5,340,183	895,156
Total net assets	\$ 4,669,654	\$ 9,819,100	\$ 14,488,754	\$ 895,156

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2005

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenue			Primary Government			Component Unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Downtown Development Authority
Primary government								
Governmental activities								
General government	\$ 1,175,620	\$ 296,859	\$ -	\$ -	\$ (878,761)	\$ -	\$ (878,761)	\$ -
Public safety	1,040,342	5,116	-	14,250	(1,020,976)	-	(1,020,976)	-
Public works	281,764	-	-	1,281	(280,483)	-	(280,483)	-
Community and economic development	367,982	261,497	-	-	(106,485)	-	(106,485)	-
Culture and recreation	521,925	25,435	17,350	-	(479,140)	-	(479,140)	-
Interest on long-term debt	201,009	-	-	-	(201,009)	-	(201,009)	-
Total governmental activities	3,588,642	588,907	17,350	15,531	(2,966,854)	-	(2,966,854)	-
Business-type activities								
Sewer	438,357	691,181	-	-	-	252,824	252,824	-
Water	2,240,639	1,836,684	-	-	-	(403,955)	(403,955)	-
Total business-type activities	2,678,996	2,527,865	-	-	-	(151,131)	(151,131)	-
Total primary government	\$ 6,267,638	\$ 3,116,772	\$ 17,350	\$ 15,531	(2,966,854)	(151,131)	(3,117,985)	-
Component unit								
Downtown Development Authority								
Community and economic development	\$ 90,065	\$ 24,213	\$ -	\$ -	-	-	-	(65,852)
General revenues								
Property taxes, levied for								
General purposes					756,335	-	756,335	311,433
Specific purposes					1,099,607	209,907	1,309,514	-
Grants and contributions not restricted to specific programs					920,752	-	920,752	-
Unrestricted investment earnings					111,148	133,765	244,913	25,203
Miscellaneous					159,410	3,855	163,265	-
Transfers					91,155	(91,155)	-	-
Total general revenues and transfers					3,138,407	256,372	3,394,779	336,636
Change in net assets					171,553	105,241	276,794	270,784
Net assets at January 1, 2005					4,498,101	9,713,859	14,211,960	624,372
Net assets at December 31, 2005					\$ 4,669,654	\$ 9,819,100	\$ 14,488,754	\$ 895,156

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**BALANCE SHEET**  
Governmental Funds  
December 31, 2005

	General Fund	Fire Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 2,509,283	\$ 671,489	\$ 552,906	\$ 3,733,678
Receivables				
Accounts	15,954	1,340	1,533	18,827
Property taxes	384,730	471,264	190,187	1,046,181
Special assessments	36,174	-	-	36,174
Interest	5,024	-	-	5,024
Due from other governmental units	150,622	-	-	150,622
Due from other funds	56,397	-	-	56,397
Prepaid items	28,010	20,037	-	48,047
Advances to other funds	-	-	314,500	314,500
Total assets	<u>\$ 3,186,194</u>	<u>\$ 1,164,130</u>	<u>\$ 1,059,126</u>	<u>\$ 5,409,450</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 59,540	\$ 16,940	\$ 150	\$ 76,630
Accrued liabilities	34,238	26,123	-	60,361
Due to other governmental units	16,292	570	-	16,862
Due to other funds	-	14,758	-	14,758
Due to component unit	48,933	-	-	48,933
Deferred revenue	674,505	808,130	742,072	2,224,707
Advances from other funds	314,500	-	-	314,500
Total liabilities	1,148,008	866,521	742,222	2,756,751
Fund balances				
Reserved for:				
Prepaid items	28,010	20,037	-	48,047
Debt service	-	-	316,418	316,418
Unreserved				
Designated for infrastructure improvements				
General Fund	614,144	-	-	614,144
Undesignated, reported in				
General Fund	1,396,032	-	-	1,396,032
Special revenue funds	-	277,572	486	278,058
Total fund balances	2,038,186	297,609	316,904	2,652,699
Total liabilities and fund balances	<u>\$ 3,186,194</u>	<u>\$ 1,164,130</u>	<u>\$ 1,059,126</u>	<u>\$ 5,409,450</u>

The accompanying notes are an integral part of this statement.



Grand Haven Charter Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
December 31, 2005

Total fund balance—governmental funds		\$ 2,652,699
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 10,460,235	
Accumulated depreciation	<u>(4,311,180)</u>	6,149,055

Accrued interest in governmental activities is not reported in the governmental funds.	(51,400)
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Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.	17,193
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Long-term liabilities in governmental activities are not due and payable in the  
current period and are not reported in the governmental funds.

Bonds and notes payable	(4,010,500)	
Compensated absences	<u>(87,393)</u>	<u>(4,097,893)</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>4,669,654</u></u>
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The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended December 31, 2005

	General Fund	Fire Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 756,335	\$ 758,525	\$ 341,082	\$ 1,855,942
Licenses and permits	387,156	-	-	387,156
Intergovernmental revenues				
Federal	-	14,250	-	14,250
State	920,752	-	-	920,752
Charges for services	86,850	2,241	-	89,091
Fines and forfeitures	8,309	-	-	8,309
Investment earnings	85,263	14,083	11,802	111,148
Other	294,736	7,548	-	302,284
Total revenues	2,539,401	796,647	352,884	3,688,932
EXPENDITURES				
Current				
General government	1,091,194	-	16,669	1,107,863
Public safety	174,366	783,085	-	957,451
Public works	202,433	-	-	202,433
Community and economic development	367,982	-	-	367,982
Culture and recreation	283,253	-	-	283,253
Other governmental functions	-	-	4,073	4,073
Debt service				
Principal	25,500	-	355,000	380,500
Interest and fees	19,890	-	187,319	207,209
Capital outlay	190,850	9,995	-	200,845
Total expenditures	2,355,468	793,080	563,061	3,711,609
Excess of revenues over (under) expenditures	183,933	3,567	(210,177)	(22,677)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	225,488	225,488
Transfers out	(134,333)	-	-	(134,333)
Total other financing sources (uses)	(134,333)	-	225,488	91,155
Net change in fund balances	49,600	3,567	15,311	68,478
Fund balances at January 1, 2005	1,988,586	294,042	301,593	2,584,221
Fund balances at December 31, 2005	\$ 2,038,186	\$ 297,609	\$ 316,904	\$ 2,652,699

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2005

Net change in fund balances—total governmental funds	\$ 68,478
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (456,658)	
Capital outlay	<u>200,845</u>	(255,813)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	380,500
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	6,200
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	(7,921)
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Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.	<u>(19,891)</u>
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Change in net assets of governmental activities	<u><u>\$ 171,553</u></u>
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The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF NET ASSETS**  
Proprietary Funds  
December 31, 2005  
ASSETS

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 1,289,720	\$ 1,062,288	\$ 2,352,008
Receivables			
Accounts	52,849	263,980	316,829
Property taxes	-	104,933	104,933
Special assessments	100,338	5,250	105,588
Contracts	-	19,289	19,289
Interest	-	1,641	1,641
Due from other funds	-	3,000	3,000
Prepaid items	2,813	8,438	11,251
Total current assets	1,445,720	1,468,819	2,914,539
<b>NONCURRENT ASSETS</b>			
Restricted assets	265,251	784,165	1,049,416
Capital assets			
Land	-	47,399	47,399
Utility systems	5,026,185	12,793,192	17,819,377
Machinery and equipment	56,440	148,892	205,332
Less accumulated depreciation	(1,387,939)	(4,848,793)	(6,236,732)
Net capital assets	3,694,686	8,140,690	11,835,376
Access rights, net	-	1,004,499	1,004,499
Bond issuance costs, net	25,933	100,526	126,459
Special assessments receivable	598,675	18,185	616,860
Contracts receivable	-	74,812	74,812
Total noncurrent assets	4,584,545	10,122,877	14,707,422
Total assets	6,030,265	11,591,696	17,621,961
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	7,825	11,554	19,379
Accrued liabilities	530	28,238	28,768
Due to other governmental units	16,464	50,155	66,619
Due to other funds	9,952	34,687	44,639
Deferred revenue	-	201,554	201,554
Bonds and other obligations, due within one year	185,000	236,000	421,000
Total current liabilities	219,771	562,188	781,959
<b>NONCURRENT LIABILITIES</b>			
Bonds and other obligations, less amounts due within one year	1,239,850	5,781,052	7,020,902
Total liabilities	1,459,621	6,343,240	7,802,861
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,269,836	3,128,137	5,397,973
Restricted for:			
Debt service	-	290,120	290,120
Capital projects	265,251	494,045	759,296
Unrestricted	2,035,557	1,336,154	3,371,711
Total net assets	\$ 4,570,644	\$ 5,248,456	\$ 9,819,100

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
Proprietary Funds  
For the year ended December 31, 2005

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
REVENUES			
Charges for services	\$ 313,998	\$ 1,597,762	\$ 1,911,760
OPERATING EXPENSES			
Administration	27,810	142,120	169,930
Operations	189,983	1,306,201	1,496,184
Depreciation and amortization	141,712	399,133	540,845
Total operating expenses	359,505	1,847,454	2,206,959
Operating income (loss)	(45,507)	(249,692)	(295,199)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	83,405	50,360	133,765
Connection fees	377,276	242,684	619,960
Property taxes	-	209,907	209,907
Interest expense	(78,852)	(393,185)	(472,037)
Total nonoperating revenue (expenses)	381,829	109,766	491,595
Income (loss) before transfers	336,322	(139,926)	196,396
Transfers out	(25,439)	(65,716)	(91,155)
Change in net assets	310,883	(205,642)	105,241
Net assets at January 1, 2005	4,259,761	5,454,098	9,713,859
Net assets at December 31, 2005	\$ 4,570,644	\$ 5,248,456	\$ 9,819,100

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended December 31, 2005

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 313,858	\$ 1,638,961	\$ 1,952,819
Receipts from interfund services provided	216	8,307	8,523
Payments to suppliers	(198,637)	(1,248,067)	(1,446,704)
Payments to employees	(21,224)	(197,503)	(218,727)
Net cash provided by operating activities	94,213	201,698	295,911
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(25,439)	(65,716)	(91,155)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Property taxes	-	209,907	209,907
Connection fees	246,841	258,314	505,155
Purchases of capital assets	(6,900)	(67,347)	(74,247)
Principal paid on capital debt	(172,650)	(219,241)	(391,891)
Interest paid on capital debt	(78,852)	(444,785)	(523,637)
Net cash used for capital and related financing activities	(11,561)	(263,152)	(274,713)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	83,405	50,360	133,765
Net increase (decrease) in cash and investments	140,618	(76,810)	63,808
Cash and investments at January 1, 2005	1,414,352	1,923,263	3,337,615
Cash and investments at December 31, 2005	<u>\$ 1,554,970</u>	<u>\$ 1,846,453</u>	<u>\$ 3,401,423</u>
Reconciliation of cash and investments to the balance sheet			
Cash and investments	\$ 1,289,720	\$ 1,062,288	\$ 2,352,008
Restricted assets	265,251	784,165	1,049,416
	<u>\$ 1,554,971</u>	<u>\$ 1,846,453</u>	<u>\$ 3,401,424</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (45,507)	\$ (249,692)	\$ (295,199)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation and amortization expense	141,712	399,133	540,845
Change in assets and liabilities			
Receivables, net	76	49,506	49,582
Internal balance	8,112	29,888	38,000
Prepaid items	(307)	(1,676)	(1,983)
Accounts payable	(10,075)	(24,791)	(34,866)
Accrued liabilities	202	(670)	(468)
Net cash provided by (used for) operating activities	<u>\$ 94,213</u>	<u>\$ 201,698</u>	<u>\$ 295,911</u>
Noncash financing activity			
Refunding of long-term debt	\$ 239,850	\$ 4,430,150	\$ 4,670,000

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
December 31, 2005

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>1,421,667</u>
<b>LIABILITIES</b>	
Due to other governmental units	1,415,989
Deposits held for others	<u>5,678</u>
Total liabilities	\$ <u>1,421,667</u>

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Grand Haven Charter Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a municipal corporation governed by an elected seven-member Board and is administered by a Township Superintendent. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 fiscal year end.

**Blended Component Unit**

*Building Authority.* The Authority serves all the citizens of the Township and is governed by a Board appointed by the Township's Board. The primary purpose of the Authority is to acquire and construct recreational facilities including bike paths. The Authority issues bonds that are approved by the Township Board, and the legal liability for the Authority's debt remains with the Township. The Authority then leases the assets to the Township to finance the repayment of the bonds. The Authority is reported as a debt service fund.

**Discretely Presented Component Unit**

*Downtown Development Authority (DDA).* The DDA Board is appointed by the Township Board, but the DDA operates as a separate entity. The DDA's primary purpose is to promote and facilitate economic growth in the downtown district. The board can authorize and issue debt independent from the Township. The component unit is presented as a governmental fund type.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for a special tax millage levied by the Township for the operation of the fire department.

The Township reports the following two major proprietary funds:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays for access to the region's sewage treatment plant.

The Water Fund operates the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the Township's investment pool.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred revenue. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2004 state taxable value for real/personal property of the Township totaled approximately \$549,500,000 of which approximately \$70,400,000 was captured by the component unit. The ad valorem taxes levied consisted of .9265, 1.4453, .40, .20 and .45 mills for the Township's general operating, fire protection and debt service purposes. These amounts are recognized in the respective General Fund, Fire Fund, Water Fund, Fire Debt Service Fund and Pathway Debt Service Fund with captured amounts shown in the DDA component unit.

**Inventories and Prepaid Items**

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain cash and investments of the Water and Sewer funds are held at the Ottawa County Road Commission where their use is restricted to certain construction and debt activities. In addition, monies collected from the water debt service levy that are unspent are shown as restricted because their use is restricted to debt service.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Utility systems	40
Land improvements	15
Furniture and equipment	3-20
Vehicles	5-20
Shared improvements	20
Access rights	20

**Compensated Absences**

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 10 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 30 days for employees. When unused sick leave exceeds 30 days for employees, one half of the balance in excess of 30 days is paid to the employees. One half of all unused accumulated sick leave is paid to employees who retire. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Long-Term Obligations—Continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to November 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township Superintendent may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Excess of Expenditures Over Appropriations**

For the year ended December 31, 2005, actual expenditures exceeded appropriations for capital outlay by \$15,899 and transfers out by \$13,408 in the General Fund. These overexpenditures were funded with available fund balance.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of December 31, 2005, the Township had the following investments:

<b>Investment Type</b>	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market mutual fund	\$ 12,583	1	AAA	0.3 %
External investment pool	3,884,188	1	not rated	81.8
Negotiable certificates of deposit	163,620	5	not rated	3.4
U.S. Agency obligations	<u>689,920</u>	<u>30</u>	AAA	<u>14.5</u>
Total fair value	<u>\$ 4,750,311</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>5</u>		

The Township voluntarily invests certain excess funds in an external pooled investment pool (Pool). The Pool is an external investment pool of "qualified" investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township's investments is the same as the fair value of the Pool.

**Interest rate risk.** The Township's investment policy limits investment maturities of various types of investments to various lengths as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township's investment policy limits various types of investments to certain percentages of the Township's total investment portfolio as a means of managing its risk. More than 5 percent of the Township's investments are in U.S. Government Obligations issued by the Federal Home Loan Bank. This investment is 14.39 percent of the Township's investments.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2005, \$9,385,293 of the Township's bank balance of \$9,885,293 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**Restricted Assets**

Restrictions are placed on assets by bond ordinance and Township Board action. At December 31, 2005, restricted cash and investments in the enterprise funds are restricted as follows:

**Business-type activities**

Sewer Fund	
Construction	\$ 265,251
Water Fund	
Construction	494,044
Debt service	290,121
	<u>784,165</u>
	<u>\$ 1,049,416</u>

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 659,600	\$ 86,055	\$ -	\$ 745,655
<b>Capital assets, being depreciated:</b>				
Land improvements	3,291,344	70,600	-	3,361,944
Buildings and improvements	4,259,400	-	-	4,259,400
Furniture and equipment	304,235	21,895	-	326,130
Vehicles	1,234,811	22,295	-	1,257,106
Shared improvements	510,000	-	-	510,000
Total capital assets, being depreciated	9,599,790	114,790	-	9,714,580

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE D—CAPITAL ASSETS—Continued**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Land improvements	\$ 1,932,472	\$ 219,482	\$ -	\$ 2,151,954
Buildings and improvements	705,720	105,235	-	810,955
Furniture and equipment	113,296	33,437	-	146,733
Vehicles	899,034	73,004	-	972,038
Shared improvements	204,000	25,500	-	229,500
Total accumulated depreciation	<u>3,854,522</u>	<u>456,658</u>	<u>-</u>	<u>4,311,180</u>
Total capital assets being depreciated, net	<u>5,745,268</u>	<u>(341,868)</u>	<u>-</u>	<u>5,403,400</u>
Capital assets, net	<u><u>\$ 6,404,868</u></u>	<u><u>\$ (255,813)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,149,055</u></u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 47,399	\$ -	\$ -	\$ 47,399
<b>Capital assets, being depreciated:</b>				
Utility systems	17,768,699	50,678	-	17,819,377
Machinery and equipment	190,191	23,568	8,427	205,332
Total capital assets, being depreciated	17,958,890	74,246	8,427	18,024,709
<b>Less accumulated depreciation:</b>				
Utility systems	5,635,843	444,639	-	6,080,482
Machinery and equipment	145,101	19,576	8,427	156,250
Total accumulated depreciation	<u>5,780,944</u>	<u>464,215</u>	<u>8,427</u>	<u>6,236,732</u>
Total capital assets being depreciated, net	<u>12,177,946</u>	<u>(389,969)</u>	<u>-</u>	<u>11,787,977</u>
Capital assets, net	<u><u>\$ 12,225,345</u></u>	<u><u>\$ (389,969)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,835,376</u></u>

**Depreciation**

Depreciation expense has been charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 59,561
Public safety	79,727
Public works	79,331
Culture and recreation	<u>238,039</u>
	<u><u>\$ 456,658</u></u>
<b>Business-type activities:</b>	
Sewer	\$ 133,693
Water	<u>330,522</u>
	<u><u>\$ 464,215</u></u>



Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE D—CAPITAL ASSETS—Continued**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b>Component units:</b>				
<b>Capital assets, not being depreciated:</b>				
Downtown Development Authority				
Construction in progress	\$ 60,708	\$ -	\$ 60,708	\$ -

**NOTE E—ACCESS RIGHTS**

Access rights activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Business-type activities				
Access rights	\$ 1,296,128	\$ -	\$ -	\$ 1,296,128
Less accumulated amortization	226,822	64,807	-	291,629
Access rights, net	\$ 1,069,306	\$ (64,807)	\$ -	\$ 1,004,499

**Amortization**

Amortization expense has been charged to water.

**NOTE F—BOND ISSUANCE COSTS**

Bond issuance cost activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Business-type activities				
Bond issuance costs	\$ 185,648	\$ 74,000	\$ -	\$ 259,648
Less accumulated amortization	121,366	11,823	-	133,189
Bond issuance costs, net	\$ 64,282	\$ 62,177	\$ -	\$ 126,459

**Amortization**

Amortization expense has been charged to functions as follows:

Sewer	\$ 8,019
Water	3,804
	\$ 11,823

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2005 is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 34,687
General Fund	Sewer Fund	6,952
General Fund	Fire Fund	14,758
Water Fund	Sewer Fund	<u>3,000</u>
		<u>\$ 59,397</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Advances to/from other funds:**

The Cemetery Fund advances to the General Fund of \$314,500 represent transfers to the Cemetery Fund from the General Fund. These advances will be funded with cash as needed by the Cemetery Fund.

**Due from/to primary government and component units:**

The General Fund owes the DDA \$48,933 for operational purposes.

**Interfund transfers:**

	<u>Transfers in:</u>		
	<u>Other governmental funds</u>	<u>Total</u>	<u>Purpose</u>
Transfers out:			
General Fund	\$ 13,500	\$ 13,500	Operations
General Fund	120,833	120,833	Debt service
Sewer Fund	25,439	25,439	Debt service
Water Fund	<u>65,716</u>	<u>65,716</u>	Debt service
	<u>\$ 225,488</u>	<u>\$ 225,488</u>	

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE H—DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Township		Downtown Development Authority	
	Unavailable	Unearned	Unavailable	Unearned
Property taxes	\$ 1,046,402	\$ 745,173	\$ 311,445	\$ 45,502
Prepaid services (Cemetery Fund)	-	415,939	-	-
Special assessments not yet due	17,193	-	-	-
Total deferred revenue for governmental funds	<u>\$ 1,063,595</u>	<u>\$ 1,161,112</u>	<u>\$ 311,445</u>	<u>\$ 45,502</u>

**NOTE I—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended December 31, 2005.

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due within one year
<b>Governmental activities:</b>					
General obligation bonds	\$ 4,391,000	\$ -	\$ 380,500	\$ 4,010,500	\$ 400,500
Compensated absences	79,472	115,333	107,412	87,393	43,697
Governmental activity long-term liabilities	<u>\$ 4,470,472</u>	<u>\$ 115,333</u>	<u>\$ 487,912</u>	<u>\$ 4,097,893</u>	<u>\$ 444,197</u>
<b>Business-type activities:</b>					
Revenue bonds	<u>\$ 7,833,793</u>	<u>\$ 4,670,000</u>	<u>\$ 5,061,891</u>	<u>\$ 7,441,902</u>	<u>\$ 421,000</u>

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Governmental activities:**

**General obligation bonds:**

\$1,230,000 General Obligation Bonds of 1994  
due in annual installments of \$95,000 to  
\$110,000 through February 2009; interest at  
rates varying from 4.9% to 5% \$ 410,000

\$510,000 County Drain Assessment of 1997  
due in annual installments of \$25,500  
through June 2016; plus interest at  
6.5% 280,500

\$1,730,000 General Obligation Bonds of 1999  
due in annual installments of \$185,000  
to \$215,000 through March 2009;  
interest at rates varying from 4.65% to  
4.85% 800,000

\$2,850,000 Grand Haven Charter Township Building  
Bonds of 2001 due in annual  
installments of \$95,000 to \$240,000  
through May 2021; interest at 4.75% 2,520,000

Compensated absences 4,010,500  
87,393  
\$ 4,097,893

**Business-type activities:**

**Revenue bonds:**

\$1,100,000 Ottawa County Wastewater Collection Bonds  
of 1996 due in installments of \$50,000 to  
\$95,000 through June 2016; interest at rates  
varying from 5.4% to 5.75% \$ 775,000

\$875,000 Sewer Special Assessment Refunding Bonds  
of 1998 due in annual installments of  
\$80,000 to \$85,000 through June 2010;  
interest at rates varying from 4.5% to  
4.7% 410,000

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Business-type activities:—Continued**

**Revenue bonds:—Continued**

\$239,850 Ottawa County Refunding Wastewater Collection Bonds of 2005 due in annual installments of \$55,575 to \$64,350 through July 2009; interest at 3.5%	\$ 239,850
\$3,110,000 Water Transmission Bonds of 1999 due in annual installments of \$105,000 to \$130,000 through July 2008; interest at 5%	350,000
\$1,296,128 Ottawa County Water Supply Bonds of 2001 due in annual installments of \$36,447 to \$136,674 through May 2021; interest at rates varying from 4.625% to 5.2%	1,236,902
\$4,670,000 Ottawa County Refunding Water Supply Bonds of 2005 due in annual installments of \$150,000 to \$410,000 through July 2019; interest at rates varying from 3.5% to 4.375%	<u>4,430,150</u>
	<u><u>\$ 7,441,902</u></u>

The revenue bonds are backed by the full faith and credit of the Township.

The Ottawa County Water Supply Bonds of 2001 represent agreements with Ottawa County relating to the construction of water supply facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by water revenues.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

On November 29, 2005, the Township issued \$4,670,000 in Revenue Bonds with interest rates from 3.5% to 4.375% to advance refund \$410,000 of outstanding 1994 Ottawa County Water Supply and Wastewater Collection Bonds with an interest rate varying from 4.5% to 4.75%, \$180,000 of outstanding 1993 Ottawa County Watertank Bonds with an interest rate varying from 5.1% to 5.4%, \$1,625,000 of outstanding 1978 Ottawa County Water Supply Bonds with an interest rate of 5% and to partially advance refund \$2,455,000 of outstanding 1999 Water Transmission Bonds with an interest rate varying from 5.15% to 5.25%. The net proceeds of approximately \$4,619,000 (after payment of \$74,000 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for principal redemption and interest of the bonds listed above which are scheduled for maturity July 1, 2006 and beyond. As a result, the 1994 Ottawa County Water Supply and Wastewater Collection Bonds, the 1993 Ottawa County Watertank Bonds and the 1978 Ottawa County Water Supply Bonds are considered to be defeased and the 1999 Water Transmission Bonds are considered to be partially defeased and the liability for those bonds has been removed from long-term obligations.

The Township advance refunded the 1994 Ottawa County Water Supply Bonds, 1993 Ottawa County Watertank Bonds, 1978 Ottawa County Water Supply Bonds and partially advance refunded the 1999 Water Transmission Bonds to reduce its total debt service payment over the next 14 years by over \$156,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of over \$144,000.

The Township was in compliance in all material respects with all the revenue bond ordinances at December 31, 2005.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2005 follows:

Year ending December 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2006	\$ 400,500	\$ 187,585	\$ 421,447	\$ 245,358
2007	425,500	167,418	611,002	301,524
2008	445,500	145,979	645,558	275,668
2009	465,500	123,468	605,114	248,129
2010	150,500	108,147	514,670	223,984
2011-2015	862,500	417,781	2,508,964	810,128
2016-2020	1,020,500	182,752	1,998,473	249,059
2021	240,000	5,700	136,674	3,554
	<u>\$ 4,010,500</u>	<u>\$ 1,338,830</u>	<u>\$ 7,441,902</u>	<u>\$ 2,357,404</u>

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE J—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risks as a member of the Michigan Participating Plan (MPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MPP for its insurance coverage. The MPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**Post-Retirement Health Care**

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were two retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended December 31, 2005, the Township's post-retirement health care cost under the Plan was approximate \$10,000.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2005

**NOTE J—OTHER INFORMATION—Continued**

**Joint Ventures**

The Township is a member of the Grand Haven - Spring Lake Sewer Authority (Authority). The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$97,981 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven and the Village of Spring Lake) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

The Township is also a member of the Northwest Ottawa Water Treatment Plant. The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$617,117 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake and the Village of Spring Lake). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

**NOTE K—RETIREMENT PLANS**

**Pension Plan**

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers substantially all full-time employees. Participants contribute 5 percent of their salaries to the plan and the Township contributes 10 percent of each eligible employee's salary to the plan. Employees are also able to make additional voluntary contributions. The Township's contribution for 2005 was \$90,279 and the employees' contribution was \$45,140.

**Deferred Compensation Plan**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

**NOTE L—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 37 percent of General Fund revenues.



## **REQUIRED SUPPLEMENTARY INFORMATION**

Grand Haven Charter Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended December 31, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 728,875	\$ 756,320	\$ 756,335	\$ 15
Licenses and permits	436,000	387,135	387,156	21
Intergovernmental revenues - state	947,300	920,750	920,752	2
Charges for services	77,900	86,845	86,850	5
Fines and forfeitures	5,000	8,305	8,309	4
Investment earnings	28,120	94,295	85,263	(9,032)
Other	294,135	292,495	294,736	2,241
Total revenues	2,517,330	2,546,145	2,539,401	(6,744)
EXPENDITURES				
Current				
General government				
Township Board	207,420	185,615	184,372	1,243
Supervisor	24,900	27,985	27,972	13
Elections	17,610	13,330	12,306	1,024
Finance	182,115	181,950	178,587	3,363
Assessor	187,110	182,045	180,567	1,478
Clerk	23,905	20,575	19,627	948
Board of appeals	4,015	3,090	2,503	587
Board of review	1,730	1,160	910	250
Administrative	247,565	246,975	246,182	793
Treasurer	22,215	15,920	15,389	531
Building and grounds	145,445	121,260	120,244	1,016
Cemetery	99,640	103,470	102,535	935
Public safety				
Law enforcement	205,635	174,375	174,366	9
Public works				
Road construction and maintenance	115,500	103,380	103,375	5
Street lighting	74,000	69,785	69,784	1
Waste collection	41,500	21,530	21,522	8
Drains	8,825	7,755	7,752	3
Community and economic development				
Building and zoning	384,535	348,460	346,578	1,882
Planning commission	31,795	22,155	21,404	751
Culture and recreation				
Parks and recreation	260,120	247,540	245,779	1,761
Bike paths	74,889	38,949	37,474	1,475
Debt service				
Principal	25,500	25,500	25,500	-
Interest and fees	19,890	19,890	19,890	-
Capital outlay	136,531	174,951	190,850	(15,899)
Total expenditures	2,542,390	2,357,645	2,355,468	2,177
Excess of revenues over (under) expenditures	(25,060)	188,500	183,933	(4,567)
OTHER FINANCING USES				
Transfers out	(120,925)	(120,925)	(134,333)	(13,408)
Net change in fund balance	\$ (145,985)	\$ 67,575	49,600	\$ (17,975)
Fund balance at January 1, 2005			1,988,586	
Fund balance at December 31, 2005			\$ 2,038,186	

Grand Haven Charter Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Fire Fund  
For the year ended December 31, 2005

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 766,100	\$ 758,520	\$ 758,525	\$ 5
Intergovernmental revenues - federal	-	14,250	14,250	-
Charges for services	9,675	2,235	2,241	6
Investment earnings	3,220	13,055	14,083	1,028
Other	2,000	7,375	7,548	173
Total revenues	780,995	795,435	796,647	1,212
EXPENDITURES				
Current				
Public safety	780,505	785,645	783,085	2,560
Capital outlay	21,700	9,995	9,995	-
Total expenditures	802,205	795,640	793,080	2,560
Net change in fund balance	\$ <u>(21,210)</u>	\$ <u>(205)</u>	3,567	\$ <u>3,772</u>
Fund balance at January 1, 2005			<u>294,042</u>	
Fund balance at December 31, 2005			\$ <u>297,609</u>	

## **OTHER SUPPLEMENTAL INFORMATION**

**Grand Haven Charter Township**  
**COMBINING BALANCE SHEET**

Other Governmental Funds

December 31, 2005

	Total other governmental funds	Special Revenue - Cemetery	Pathway Debt Service	Debt Service  Fire Debt Service	Township Building Debt Service
<b>ASSETS</b>					
Cash and investments	\$ 552,906	\$ 100,392	\$ 295,425	\$ 156,932	\$ 157
Receivables					
Accounts	1,533	1,533	-	-	-
Property taxes	190,187	-	118,051	72,136	-
Advances to other funds	314,500	314,500	-	-	-
Total assets	<u>\$ 1,059,126</u>	<u>\$ 416,425</u>	<u>\$ 413,476</u>	<u>\$ 229,068</u>	<u>\$ 157</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 150	\$ -	\$ 150	\$ -	\$ -
Deferred revenue	742,072	415,939	202,434	123,699	-
Total liabilities	742,222	415,939	202,584	123,699	-
Fund balances					
Reserved for debt service	316,418	-	210,892	105,369	157
Unreserved	486	486	-	-	-
Total fund balances	<u>316,904</u>	<u>486</u>	<u>210,892</u>	<u>105,369</u>	<u>157</u>
Total liabilities and fund balances	<u>\$ 1,059,126</u>	<u>\$ 416,425</u>	<u>\$ 413,476</u>	<u>\$ 229,068</u>	<u>\$ 157</u>

Grand Haven Charter Township  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Other Governmental Funds  
For the year ended December 31, 2005

	Total other governmental funds	Special Revenue - Cemetery	Pathway Debt Service	Debt Service Fire Debt Service	Township Building Debt Service
REVENUES					
Property taxes	\$ 341,082	\$ -	\$ 236,138	\$ 104,944	\$ -
Investment earnings	11,802	3,277	5,413	3,037	75
Total revenues	352,884	3,277	241,551	107,981	75
EXPENDITURES					
Current					
General government	16,669	16,669	-	-	-
Other governmental functions	4,073	-	2,344	1,729	-
Debt service					
Principal	355,000	-	175,000	90,000	90,000
Interest and fees	187,319	-	42,414	22,968	121,937
Total expenditures	563,061	16,669	219,758	114,697	211,937
Excess of revenues over (under) expenditures	(210,177)	(13,392)	21,793	(6,716)	(211,862)
OTHER FINANCING SOURCES					
Transfers in	225,488	13,500	-	-	211,988
Net change in fund balances	15,311	108	21,793	(6,716)	126
Fund balances at January 1, 2005	301,593	378	189,099	112,085	31
Fund balances at December 31, 2005	<u>\$ 316,904</u>	<u>\$ 486</u>	<u>\$ 210,892</u>	<u>\$ 105,369</u>	<u>\$ 157</u>

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

May 18, 2006

Township Board  
Grand Haven Charter Township  
Grand Haven, Michigan

In planning and performing our audit of the financial statements of Grand Haven Charter Township for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Grand Haven Charter Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

## **REPORTABLE CONDITIONS**

Recommendation 1: All general ledger account balances should be reconciled to detailed supporting documentation on a regular basis.

During our audit, we noted that accounts payable and customer deposits general ledger account balances were not reconciled with supporting documentation.

Failure to timely reconcile general ledger account balances can adversely affect the accuracy of internally-prepared monthly financial statements, and, correspondingly, adversely affect the analysis and conclusions as to the Township's financial position and results of operations by the Township Board, management, and other users of such monthly financial statements.

We consider the following reportable condition contained in our April 22, 2005 letter as still applicable:

Recommendation 3: Unreconciled differences noted during monthly bank reconciliation procedures should be pursued for resolution in a timely manner.